



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NICHOLAS COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Larry Tincher, County Judge/Executive

Honorable Charles Smith, Former County Judge/Executive

Members of the Nicholas County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Nicholas County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Nicholas County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Nicholas County Water District which is a subrecipient of the Community Development Block Grant (CDBG). This money was audited by other auditors whose report dated December 31, 1998, has been furnished to us, and is included in Appendix B.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Nicholas County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Larry Tincher, County Judge/Executive
Honorable Charles Smith, Former County Judge/Executive
Members of the Nicholas County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Nicholas County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1998, in conformity with the cash basis of accounting described above.

Our audit was performed for the purpose of forming an opinion on the financial statements of Nicholas County, Kentucky, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a Schedule of Findings and Questioned Costs, included herein, which discusses the following area of noncompliance:

- The County Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 1999, on our consideration of Nicholas County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 25, 1999

NICHOLAS COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Charles Smith	County Judge/Executive
Joseph H. Conley	County Attorney
Douglas Fryman	County Clerk
Sally Watkins	Circuit Court Clerk
Charles Ring	Sheriff
Billy Mac Gaunce	Jailer
Rose Brady	Property Valuation Administrator
Wanda Dotson	County Treasurer
Roy E. Gaunce	Coroner
Juanita Smith	Magistrate
Melvin Fryman	Magistrate
Daryl Stacy	Magistrate
Avery D. Thornsburg	Magistrate
Danny Hughes	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

NICHOLAS COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$ 164,081
------	------------

Road and Bridge Fund:

Cash	239,368
------	---------

Jail Fund:

Cash	2,495
------	-------

Local Government Economic Assistance Fund:

Cash	13,983
------	--------

Voted Hospital Bond Fund:

Cash in Hands of-	
County	241,007

Paying Agent	145,084
--------------	---------

Mathers Educational Fund:

Cash	12,859
------	--------

Landfill Fund:

Cash	4,917
------	-------

Community Development Block Grant Fund:

Cash	858
------	-----

Payroll Withholding Revolving Account-Cash	19,847
--	--------

Other Resources

General Fund:

Amounts to be Provided in Future Years for Capital

Lease Principal Obligation	287,341
----------------------------	---------

Total Assets	<u>\$ 1,131,840</u>
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The accompanying notes are an integral part of the financial statements.

NICHOLAS COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Capital Lease Principal Obligation (Note 5)	\$ 287,341
---	------------

Voted Hospital Bond Fund:

Bond Principal Matured and Unpresented	135,000
--	---------

Interest Matured and Unpresented	146,112
----------------------------------	---------

Premium on Bonds Called	2,700
-------------------------	-------

Payroll Withholding Revolving Account	19,847
---------------------------------------	--------

Fund Balances

Reserved:

Mathers Educational Fund	12,859
--------------------------	--------

Landfill Fund	4,917
---------------	-------

Voted Hospital Bond Fund	102,279
--------------------------	---------

Community Development Block Grant Fund	858
--	-----

Unreserved:

General Fund	164,081
--------------	---------

Road and Bridge Fund	239,368
----------------------	---------

Jail Fund	2,495
-----------	-------

Local Government Economic Assistance Fund	13,983
---	--------

Total Liabilities and Fund Balances	<u>\$ 1,131,840</u>
-------------------------------------	---------------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

NICHOLAS COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,732,765	\$ 943,570	\$ 970,559	\$ 49,853
Transfers In	243,625	72,805		121,000
Lease Proceeds	193,660	193,660		
Total Cash Receipts	<u>\$ 3,170,050</u>	<u>\$ 1,210,035</u>	<u>\$ 970,559</u>	<u>\$ 170,853</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,639,578	\$ 1,045,864	\$ 840,290	\$ 171,539
Transfers Out	243,625	170,820	72,805	
Penalty-Early retirement of CD	1,036			
Bonds:				
Principal Paid	430,900			
Total Cash Disbursements	<u>\$ 3,315,139</u>	<u>\$ 1,216,684</u>	<u>\$ 913,095</u>	<u>\$ 171,539</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (145,089)</u>	<u>\$ (6,649)</u>	<u>\$ 57,464</u>	<u>\$ (686)</u>
Cash Balance - July 1, 1997*	<u>969,741</u>	<u>170,730</u>	<u>181,904</u>	<u>3,181</u>
Cash Balance - June 30, 1998*	<u>\$ 824,652</u>	<u>\$ 164,081</u>	<u>\$ 239,368</u>	<u>\$ 2,495</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

NICHOLAS COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Voted Hospital Bond Fund	Mathers Educational Fund	Landfill Fund	Community Development Block Grant Fund
\$ 27,784	\$ 254,910	\$ 56,588	\$ 35,395 49,820	\$ 394,106
\$ 27,784	\$ 254,910	\$ 56,588	\$ 85,215	\$ 394,106
\$ 19,959	\$ 29,280	\$ 55,706	\$ 83,692	\$ 393,248
	1,036			
	430,900			
\$ 19,959	\$ 461,216	\$ 55,706	\$ 83,692	\$ 393,248
\$ 7,825	\$ (206,306)	\$ 882	\$ 1,523	\$ 858
6,158	592,397	11,977	3,394	0
\$ 13,983	\$ 386,091	\$ 12,859	\$ 4,917	\$ 858

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Nicholas County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Nicholas County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the county.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 4. Long-Term Debt

The Nicholas County Fiscal Court retired the Voted General Obligation Hospital Bonds, dated December 1, 1977.

Note 5. Capital Lease

The Nicholas County Fiscal Court entered into a lease agreement for \$291,000 with Kentucky Association of Counties Leasing Trust Program for the courthouse renovation on September 22, 1997. The lease is to be paid in full on October 1, 2012. The lease calls for a variable interest rate. The principal balance at June 30, 1998, is \$287,341.

Note 6. Lease-Purchase Agreements

- a) The Nicholas County Fiscal Court entered into a lease agreement for \$25,001 with Kentucky Association of Counties Leasing Trust Program for the purchase of voting machines and computers on August 18, 1995. The lease is renewable by the county on a fiscal year basis, with five renewal periods. The lease calls for a variable interest rate. The principal balance at June 30, 1998, is \$11,538.
- b) The Nicholas County Fiscal Court entered into a lease agreement for \$25,915 with Kentucky Association of Counties Leasing Trust Program for the purchase of an ambulance on August 1, 1996. The lease is renewable by the county on a fiscal year basis, with five renewal periods. The lease calls for a variable interest rate. The principal balance at June 30, 1998, is \$17,005.
- c) The Nicholas County Fiscal Court entered into a lease agreement for \$87,520 with Kentucky Association of Counties Leasing Trust Program for the purchase of two dump trucks on January 22, 1998. The lease is renewable by the county on a fiscal year basis, with five renewal periods. The lease calls for a variable interest rate. The principal balance at June 30, 1998, is \$71,111.

Note 7. Flag Maintenance Savings Account

The Nicholas County Fiscal Court established a Flag Maintenance Savings Account in 1996 made strictly up of contributions from the community and is to be used to maintain the electric flag on top of the Nicholas Court Courthouse. The balance in this account at June 30, 1998, is \$649.

Note 8. Insurance

For the fiscal year ended June 30, 1998, Nicholas County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

NICHOLAS COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 1,012,195	\$ 943,570	\$ (68,625)
Road and Bridge Fund	794,209	970,559	176,350
Jail Fund	184,170	49,853	(134,317)
Local Government Economic Assistance Fund	24,100	27,784	3,684
Voted Hospital Bond Fund	429,000	254,910	(174,090)
Mathers Educational Fund	55,200	56,588	1,388
Landfill Fund	78,120	35,395	(42,725)
Community Development Block Grant Fund	519,640	394,106	(125,534)
Totals	<u>\$ 3,096,634</u>	<u>\$ 2,732,765</u>	<u>\$ (363,869)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,096,634
Add: Budgeted Prior Year Surplus			734,072
Less: Other Financing Uses			<u>(569,839)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,260,867</u>

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SCHEDULE OF OPERATING REVENUE

NICHOLAS COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 342,244	\$ 169,356	\$	\$
County Clerk:				
Deed Transfer Tax	10,014	10,014		
Business Licenses	1,878	1,878		
Delinquent Taxes	4,906	4,906		
Excess Fees - 1997	11,907	11,907		
Tangible Personal Property Taxes:				
Other Counties	13,142	4,440		
County Clerk	76,583	34,736		
Bank Shares	14,079	14,079		
Occupational Employment Tax	360,402	360,402		
Totals	<u>\$ 835,155</u>	<u>\$ 611,718</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Flood Aid	\$ 7,232	\$	\$ 7,232	\$
Disaster and Emergency Assistance				
Grants - Coordinator Salary	978	978		
Community Development Block				
Grants - Waterline Extension	394,106			
Totals	<u>\$ 402,316</u>	<u>\$ 978</u>	<u>\$ 7,232</u>	<u>\$ 0</u>
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 24,000	\$	\$	\$ 24,000
Medical Allotments	1,922			1,922
DUI Services Fees	1,588			1,588
Truck License Distribution	151,651		151,651	
County Road Aid	412,748		412,748	
Courthouse Rental - AOC	297,482	297,482		

NICHOLAS COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Voted Hospital Bond Fund	Mathers Educational Fund	Landfill Fund	Community Development Block Grant Fund
\$	\$ 172,888	\$	\$	\$
	8,702			
	41,847			
<u>\$ 0</u>	<u>\$ 223,437</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$
				394,106
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,106</u>
\$	\$	\$	\$	\$

NICHOLAS COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer (Continued)</u>				
Refunds:				
Legal Process Tax	\$ 37	\$ 37	\$	\$
Drivers License	663		663	
Dog License	47	47		
Child Support	14,099	6,525		7,574
Juvenile Housing	1,260			1,260
Bridge Replacement	304,415		304,415	
Workman's Compensation	892	892		
Severance Taxes:				
Coal	27,259			
Board of Assessments	200	200		
Grants:				
State Flood Aid	58,393		58,393	
Disaster and Emergency Assistance - Coordinator Salary	176	176		
Totals	\$ 1,296,832	\$ 305,359	\$ 927,870	\$ 36,344

Miscellaneous Revenue

Interest Earned	\$ 116,916	\$ 9,823	\$ 17,766	\$ 467
Contribution - Knox Estate	3,558	3,558		
Circuit Court Clerk:				
Work Release	8,242			8,242
Court Cost, Jail Operation	3,085			3,085
Home Incarceration Fees	534			534
Licenses and Permits:				
Cable TV Franchise	1,594	1,594		
Charges for Services:				
Garbage Collection	28,808			
Recycling	6,313			
Sale of:				
Culverts	4,839		4,839	
Road Materials	7,291		7,291	
Surplus Machinery/Equipment Sales	2,331		2,331	

28,808
6,313

NICHOLAS COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue (Continued)</u>				
Sale of:				
Gasoline	\$ 1,286	\$	\$ 1,286	\$
Cellular Phone - Excess Tax	3,049	3,049		
County Farm Income	5,516	5,516		
Reimbursements:				
Telephone	532	532		
Insurance	1,102		1,102	
Miscellaneous Items	<u>3,466</u>	<u>1,443</u>	<u>842</u>	<u>1,181</u>
Totals	<u>\$ 198,462</u>	<u>\$ 25,515</u>	<u>\$ 35,457</u>	<u>\$ 13,509</u>
Total Operating Revenue	<u><u>\$ 2,732,765</u></u>	<u><u>\$ 943,570</u></u>	<u><u>\$ 970,559</u></u>	<u><u>\$ 49,853</u></u>

NICHOLAS COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Voted Hospital Bond Fund	Mathers Educational Fund	Landfill Fund	Community Development Block Grant Fund
\$	\$	\$	\$	\$
\$ 525	\$ 31,473	\$ 56,588	\$ 35,395	\$ 0
<u>\$ 27,784</u>	<u>\$ 254,910</u>	<u>\$ 56,588</u>	<u>\$ 35,395</u>	<u>\$ 394,106</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

NICHOLAS COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,196	\$ 48,196	\$
Secretaries	17,285	17,285	
Payroll Clerk	11,000	10,551	449
Office Supplies	3,335	3,335	
Office Equipment	2,200	1,233	967
Training	400	126	274
Office of County Attorney:			
County Attorney Salary	10,920	10,920	
Office of County Clerk:			
Office Supplies	4,000	3,726	274
Fees	2,835	2,835	
Office of Sheriff:			
Radio Maintenance	700	245	455
Office Supplies	2,000	2,000	
Uniforms	500	432	68
Training	500		500
Office of County Coroner:			
Salaries-			
County Coroner	3,900	3,900	
Deputy Coroner	1,500	1,500	
Autopsies and Attendant Services	700		700
Training	800	709	91
Fiscal Court:			
Salaries:			
Magistrates	18,600	18,600	
Fiscal Court Clerk	1,800	1,800	
Office of Property Valuation Administrator:			
Statutory Contribution	7,987	7,858	129

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Board of Assessment Appeals:			
Per Diem	\$ 400	\$ 400	\$
Office of County Treasurer:			
County Treasurer Salary	11,166	11,166	
Elections:			
Per Diem-			
Election Commissioners	5,820	500	5,320
Election Officers	5,520	1,515	4,005
Maintenance and Repairs	5,000		5,000
Polling Places	600	150	450
Office Supplies	250	132	118
Other Supplies and Equipment	9,750	4,927	4,823
Voting Machines and Computers:			
Lease Payments	5,700	5,472	228
Courthouse:			
Custodial Salaries	20,892	18,280	2,612
Maintenance and Repairs	515,087	478,565	36,522
Materials and Supplies	1,684	1,684	
Utilities	22,000	18,765	3,235
Other County Properties:			
Supplies	1,250	443	807
Utilities	10,750	8,284	2,466
Community Action Building - Interest	2,000	2,000	
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Dispatch Service - Contribution	12,360	12,347	13
Contracted Services	2,700	2,700	
Operating Expenses	250	166	84
Function Specific Supplies	1,250	282	968

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Ambulance Service:			
Ambulance	\$ 84,000	\$ 84,000	\$
Vehicle Maintenance	4,500	2,405	2,095
Motor Vehicle - Lease Agreement	6,000	5,707	293
Office of Public Defender:			
Public Advocacy - Contribution	841	841	
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	6,023	6,023	
Animal Food and Supplies	300		300
Soil and Water Conservation:			
Contribution	9,700	9,700	
<u>Social Services</u>			
Service to Indigents:			
General Welfare	3,000	1,301	1,699
Other Victims Assistance Contribution	500		500
Senior Citizens Program:			
Contribution	18,000	18,000	
Cemeteries and Memorials:			
Pauper Burials	850	675	175
Forest Fire Protection	610	610	
<u>Recreation and Culture</u>			
Parks:			
Contribution	2,000	2,000	

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Recreation and Culture (Continued)</u>			
Cooperative Extension Service:			
Program Support	\$ 38,480	\$ 38,480	\$
Tourist and Convention:			
Contribution	500	500	
Debt Service:			
Borrowed Money- Interest	2,500		2,500
<u>Capital Projects</u>			
Building Construction	12,575	12,574	1
Water District Extension Contribution	10,000	10,000	
<u>Administration</u>			
General Services:			
Advertising	3,000	2,213	787
Audit Services	18,790	18,790	
Insurance - Building	44,465	44,465	
Bonds	2,155	2,155	
Memberships	3,810	3,810	
Contingent Appropriations:			
Reserve for Transfers	27,175		27,175
Fringe Benefits:			
County Contributions-			
Social Security	26,000	23,767	2,233
Retirement	28,000	24,211	3,789
Health Insurance	26,470	26,470	
Worker's Compensation	4,138	4,138	
Unemployment Insurance	2,000		2,000
Total Operating Budget (Carried Forward)	\$ 1,159,969	\$ 1,045,864	\$ 114,105

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
Total Operating Budget (Brought Forward)	\$ 1,159,969	\$ 1,045,864	\$ 114,105
Other Financing Uses:			
a) Borrowed Money-			
Principal	14,839		14,839
Total General Fund	\$ 1,174,808	\$ 1,045,864	\$ 128,944
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Fiscal Court:			
Expense Allowance - Magistrates	\$ 18,000	\$ 18,000	\$
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	25,375	25,375	
Road Maintenance:			
Road Labor Salaries	170,000	150,505	19,495
Asphalt	81,312	81,312	
Machinery and Equipment	22,503	22,503	
Road Materials	152,000	87,980	64,020
Uniforms	2,500	1,160	1,340
Materials and Supplies	6,000	2,397	3,603
Renewals and Repairs	51,102	39,107	11,995
Sales and Use Tax	1,500	223	1,277
Utilities	5,000	4,572	428
<u>Capital Projects</u>			
Bridges:			
Contracted Construction	124,208	124,208	
Bridge Construction	180,207	180,207	

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Insurance	\$ 38,688	\$ 38,688	\$
Reimbursement	195	195	
Government Agencies	7,405	7,405	
Contingent Appropriations:			
Reserve for Transfers	3,645		3,645
Fringe Benefits:			
County Contributions-			
Retirement	19,968	16,816	3,152
Social Security	17,500	14,115	3,385
Health Insurance	15,000	11,920	3,080
Worker's Compensation	15,000	12,414	2,586
Unemployment Insurance	2,100	1,188	912
Total Road and Bridge Fund	<u>\$ 959,208</u>	<u>\$ 840,290</u>	<u>\$ 118,918</u>

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 15,970	\$ 15,970	\$
Part-time Help	1,200	1,200	
Contracts With Other Counties	110,000	102,893	7,107
Contracts With Private Agencies	1,000		1,000
Equipment Maintenance	200	36	164
Food	100		100
Uniforms	400	354	46
Materials and Supplies	2,500	2,315	185
Renewals and Repairs	2,500	2,292	208
Medical Services	8,000	5,954	2,046
Travel	712	712	

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Juvenile Detention:			
Contracts With Other Counties	\$ 35,405	\$ 35,405	\$
<u>Administration</u>			
General Services:			
Memberships	100	50	50
Training	200		200
Contingent Appropriations:			
Reserve for Transfers	1,083		1,083
Fringe Benefits:			
County Contributions-			
Retirement	1,500	1,381	119
Social Security	1,300	1,161	139
Health Insurance	2,000	1,816	184
Total Jail Fund	<u>\$ 184,170</u>	<u>\$ 171,539</u>	<u>\$ 12,631</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Road Materials	\$ 3,600	\$	\$ 3,600
Petroleum Products	25,000	19,959	5,041
Total Local Government Economic Assistance Fund	<u>\$ 28,600</u>	<u>\$ 19,959</u>	<u>\$ 8,641</u>

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>VOTED HOSPITAL BOND FUND</u>			
<u>Debt Service</u>			
Voted Hospital Bonds:			
Interest	\$ 37,050	\$ 27,446	\$ 9,604
Tax Refunds	2,500	1,834	666
Contingent Appropriations:			
Reserve for Transfers	<u>213,022</u>	<u></u>	<u>213,022</u>
Total Operating Budget	\$ 252,572	\$ 29,280	\$ 223,292
Other Financing Uses:			
b) Voted Hospital Bonds-			
Principal	<u>555,000</u>	<u>430,900</u>	<u>124,100</u>
Total Voted Hospital Bond Fund	<u>\$ 807,572</u>	<u>\$ 460,180</u>	<u>\$ 347,392</u>
<u>MATHERS EDUCATIONAL FUND</u>			
<u>Social Services</u>			
Services to Children and Youth:			
Clerk Salary	\$ 7,434	\$ 6,971	\$ 463
Office Supplies	1,500	13	1,487
General Welfare	58,916	47,933	10,983
<u>Administration</u>			
Fringe Benefits:			
County Contribution-			
Social Security	650	521	129
Retirement	<u>700</u>	<u>268</u>	<u>432</u>
Total Mathers Educational Fund	<u>\$ 69,200</u>	<u>\$ 55,706</u>	<u>\$ 13,494</u>

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LANDFILL FUND</u>			
<u>General Health and Sanitation</u>			
Sanitary Landfill:			
Managers Salary	\$ 21,528	\$ 21,528	\$
Contracted Services	15,500	14,802	698
Function Specific Supplies and Equipment	2,000	365	1,635
Materials and Supplies	1,000	940	60
Utilities	2,000	1,434	566
Solid Waste Transfer	39,380	39,380	
<u>Administration</u>			
Fringe Benefits:			
County Contribution-			
Social Security	1,800	1,565	235
Retirement	2,100	1,862	238
Health Insurance	2,200	1,816	384
Total Landfill Fund	<u>\$ 87,508</u>	<u>\$ 83,692</u>	<u>\$ 3,816</u>
<u>COMMUNITY DEVELOPMENT</u>			
<u>BLOCK GRANT FUND</u>			
<u>General Health and Sanitation</u>			
Water System:			
Contracted Construction	\$ 452,065	\$ 360,165	\$ 91,900
Grant Administration	38,900	33,083	5,817
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Transfers	<u>28,675</u>		<u>28,675</u>
Total Community Development			
Block Grant Fund	<u>\$ 519,640</u>	<u>\$ 393,248</u>	<u>\$ 126,392</u>

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
Total Operating Budget - All Funds	\$ 3,260,867	\$ 2,639,578	\$ 621,289
Other Financing Uses:			
a) Borrowed Money- Principal	14,839		14,839
b) Voted Hospital Bonds- Principal	555,000	430,900	124,100
TOTAL BUDGET - ALL FUNDS	<u>\$ 3,830,706</u>	<u>\$ 3,070,478</u>	<u>\$ 760,228</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Larry Tincher, County Judge/Executive
Honorable Charles Smith, Former County Judge/Executive
Members of the Nicholas County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Nicholas County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated June 25, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nicholas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nicholas County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Larry Tincher, County Judge/Executive
Honorable Charles Smith, Former County Judge/Executive
Members of the Nicholas County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based On
An Audit Of Financial Statements Performed In Accordance With Government
Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 25, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Larry Tincher, County Judge/Executive
Honorable Charles Smith, Former County Judge/Executive
Members of the Nicholas County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Nicholas County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to its major federal program for the year ended June 30, 1998. We did not audit the Nicholas County Water District, which is a subrecipient of the Community Development Block Grant. This money was audited by other auditors whose report dated December 31, 1998, has been furnished to us, and is included in Appendix B. Nicholas County's major federal programs are identified in summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Nicholas County's management. Our responsibility is to express an opinion on Nicholas County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nicholas County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nicholas County's compliance with those requirements.

In our opinion, Nicholas County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Nicholas County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Nicholas County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable Larry Tinch, County Judge/Executive
Honorable Charles Smith, Former County Judge/Executive
Members of the Nicholas County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
June 25, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NICHOLAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Nicholas County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Nicholas County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for Nicholas County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program for Nicholas County reported in Part C of this Schedule.
7. The program tested as a major program was: Community Development Block Grant-Waterline Extension Phase IV (CFDA #14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Nicholas County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The county had a bank balance of \$702,105; FDIC insurance of \$200,000; and securities pledged of \$898,518 as of June 30, 1998. Even though the county obtained pledged securities of \$898,518, the pledge was not evidenced by a written agreement. We recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

Fiscal year ending June 30, 2000 will be in compliance.

NICHOLAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

PRIOR YEAR FINDINGS

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NICHOLAS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government: Community Development Block Grants- Waterline Extension (CFDA # 14.228)		
	B-96-DC-21-0001(020)	\$ 394,103
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)		
	Not Available	978
Flood Damage (CFDA #83.534)	Not Available	<u>7,232</u>
Total Cash Expenditures of Federal Awards		<u>\$ 402,313</u>

See Notes to the Schedule of Expenditures of Federal Awards.

NICHOLAS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for Community Development Block Grant consist of a grant to the following subrecipient:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
Nicholas County Water District	CFDA# 14.228	\$394,103

The subrecipient had an audit performed by other auditors dated December 31, 1998, which is included in Appendix B.

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

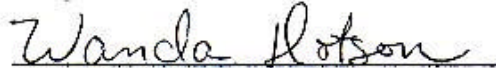
NICHOLAS COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
NICHOLAS COUNTY FISCAL COURT

The Nicholas County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

